

To: Zecca, Anthony  
From: Kuruc, Nick  
Edited: 4/7/98 9:39  
Subject: FWRD: Elmira Private Stock Situation

Anthony:

Excellent analyzation of the situation in Elmira.

Also great ideas to address pertinent issues. I have passed your comments on to Charlie and am awaiting a reply.

Thanks for your help!

===== <Forwarded Letter> =====

From: Zecca, Anthony  
To: KURUCN  
Subject: Elmira Private Stock Situation  
Posted: 04/06/98 17:04  
Priority: Normal Priority

Jim and Nick,

I went to Elmira today to survey the alleged Private Stock discounting problem. I found two accounts, Jeff's Mobil #1 and Jeff's Mobil #2, that had any kind of Private Stock discounting. The retail prices were as follows: Private Stock \$1.44+tx, Doral/Monarch/GPC \$1.46+tx (includes \$3.50/.35 buydown), and Old Gold at \$1.41+tx(including \$.40 off coupons. There was a small private Stock display on the back bar with NO displayed pricing. There were no banners, starbursts, or pasters indicating a price on Private Stock. The direct account that services this location, Elmira Distributing, is passing on \$2.00 off per carton in AVA funds. I don't see this Private Stock situation as a threat to Hess in any way. I do see the discount rates on Doral and Monarch as a problem for Hess. I visited the Hess CTS location today and saw that Charlie Izard approved a buydown rate of \$3.00 off on Doral. Charlie has also authorized the continuation of the Marlboro \$2.50/.25 buydown indefinitely. Winston is off buydown and therefor at a competitive disadvantage.

My suggestions: We need to decide if we are going to treat this account as a CTS of a gas/convenience account. There are two major CTS players within 10 miles of this Hess location. One location sells over 4,000 CPW and the other sells 1,500 CPW. Both locations are in PA which has a \$2.50 tax advantage. This Hess account is a major player even for a NY location. In fairness to Hess and for our own benefit, I think we need to implement a CTS discounting strategy on an ongoing basis. Nick, I know in the past, Charlie has been against setting up different discounting structures for the chain but, his recent discounting adjustments on Marlboro and Doral in this location indicate that he may be willing to support our CTS strategy in designated accounts.

The other problem we face is the partner protection issue on Doral. With retail competitors at a \$3.50 Doral buydown, Hess is left at a disadvantage. It isn't even an option nor is it practical to place \$.50 carton coupons and \$.05 pack coupons to create price protection. There needs to be some flexibility on Hess's part to make decisions either at store level or through me at the district manager level with regards to Doral and Monarch discounting.

I realize these suggestions are not simple solutions but they need to be in place for Hess to be competitive in the CTS category.

Call me if you have any questions.

Anthony

CC: 1600 - Buffalo Region (BURRELL), Duszynski, R

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